

29 September 2011

David DeBattista

**Re: Anson Street Developments, St Georges Basin NSW 2540**

As requested I have carried out a feasibility along the lines of the Purdon report for the Huskisson 3(g) zoned areas. My assessment is based on five different options having four different floor space ratios ranging from 0.6:1 to 1.4:1, the difference between Option D and E both having a floor space ratio of 1.4:1 is that Option D is built over three stories and Option E is built over four stories.

The development scenarios that I have examined are as follows:

- Option A - 0.6 FST, 3 storey height limit
- Option B - 0.8 FSR, 3 storey height limit
- Option C - 1.0:1 FSR, 3 storey height limit
- Option D - 1.4:1 FSR, 3 storey height limit
- Option E - 1.4:1 FSR, 4 storey height limit

My assessment is also based having regard to the proposed dwelling unit configuration that you have supplied to me; and having regard to land value within the St Georges basin area.

The result of the feasibilities (which are attached) results in the following:

Option A	unfeasible
Option B	profit of \$38,078 1.5% return (mdc)
Option C	profit of \$122,826, a 3.96% return (mdc)
Option D	profit of \$334,183, a 7.99% return (mdc)
Option E	profit of \$523,360, a 13/1% profit (mdc)

As it can be seen from the results above only option E would be capable of being developed as this is the only option which returns a profit in excess of 10% and therefore the first four options would not be entertained by a developer nor would they be funded by a financial institution.

Therefore it can be seen only option E is financially feasible and capable of being developed with the backing of a financial institution. The reason for this option being feasible essentially is the different configuration of the car parking which reduces the development cost. The following feasibilities are based on the following inputs.

- The units have all been assessed as having a value of \$350,000 upon completion (inclusive of GST).
- A land price has been adopted at a rate of \$50,000 per unit site.

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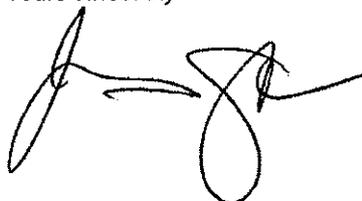
***Value made visible***

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- Construction is based on a rate of \$2,000 per sqm.
  - Option A has 12 basement car parking spaces at the rate of \$30,000 per car space, and additional landscaping of \$50,000.
  - Option B has 16 basement car parking spaces at a rate of \$30,000 per car space with additional landscaping of \$50,000.
  - Option C has 16 basement car parking spaces at a rate of \$30,000 per car space with four additional at grade car spaces at a rate of \$5,000 per car space plus additional landscaping of \$50,000.
  - Option D has 24 basement car parking spaces at a rate of \$30,000 per car space plus four at grade car spaces at a rate of \$5,000 per car space plus \$50,000 for landscaping, and
  - Option E has 16 basement car parking spaces at a rate of \$30,000 per car space with 12 additional car parking spaces at grade at a rate of \$5,000 per car space plus \$50,000 additional landscaping.
  - Selling fees are based at a rate of 2.75%, with the legal fees for acquiring the site being \$1,375, and the legal fee for selling the unit being \$1,100 per unit.
  - The feasibility is based on the assumption the development is 80% debt funded at a commercial rate of 10%.

The St Georges Basin area is an area of average housing and therefore the construction cost of the unit has been applied considering the target market and the end sale value, and the rate per sqm is inclusive of professional fees and contingency.

I trust the above is satisfactory for your requirements.

Yours sincerely



James Sharpe  
Registered Valuer 2857  
Certified Practising Valuer, FAPI  
B.Business (Land Economy)

## Categorised Profit & Loss (Valuer's Style) - Margin Scheme

Amounts are in \$'s

Income:	Development Sales		1,800,000	
	Less: GST Collected in Income		-136,364	1,663,636
Less :	Selling Fees		49,500	
	Conveyancing Fees (Sale)		6,600	
	Less: GST Input Tax Credits		-5,100	51,000
Gross Profit (Ex GST)				1,612,636
Profit & Risk Factor (Ex GST)	-13.66%	(-17.36% IRR)		-255,074
Equity Amount :		395,293		(-56.33% IRR on Equity)
Margin on Equity :		-255,074		(-64.53% MoE)
Less Development Costs :				
	Land Purchase Price		300,000	
	Stamp Duty Fees		8,990	
	Conveyancing Fees (Purchase)		1,375	
	Consultants Fees		0	
	Construction			
	Unescalated	1,610,000		
	Escalation	0	1,610,000	
	Rates and Taxes		0	
	Less: GST Input Tax Credits		-146,489	
	Sub-Total		1,773,876	
	Borrowing Interest		93,834	
Total Net Development Costs				1,867,710
GST Collected in Income				136,364
GST Input Tax Credits				151,589

## Categorised Profit & Loss (Valuer's Style) - Margin Scheme

Amounts are in \$'s

Income:	Development Sales		2,800,000	
	Less: GST Collected in Income		-218,182	2,581,818
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Less :	Selling Fees		77,000	
	Conveyancing Fees (Sale)		6,600	
	Less: GST Input Tax Credits		-7,600	76,000
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Gross Profit (Ex GST)				2,505,818
Profit & Risk Factor (Ex GST)	1.54%	(1.78% IRR)		38,078
Equity Amount :		525,693		(3.95% IRR on Equity)
Margin on Equity :		38,078		(7.24% MoE)
Less Development Costs :				
	Land Purchase Price		400,000	
	Stamp Duty Fees		13,490	
	Conveyancing Fees (Purchase)		1,375	
	Consultants Fees		0	
	Construction			
	Unescalated	2,130,000		
	Escalation	0	2,130,000	
	Rates and Taxes		0	
	Less: GST Input Tax Credits		-193,761	
	Sub-Total		2,351,104	
	Borrowing Interest		116,636	
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Total Net Development Costs				2,467,740
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GST Collected in Income				218,182
GST Input Tax Credits				201,361
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## Categorised Profit & Loss (Valuer's Style) - Margin Scheme

Amounts are in \$'s

Income:	Development Sales		3,500,000	
	Less: GST Collected in Income		-272,727	3,227,273
Less :	Selling Fees		96,250	
	Conveyancing Fees (Sale)		11,000	
	Less: GST Input Tax Credits		-9,750	97,500
Gross Profit (Ex GST)				3,129,773
Profit & Risk Factor (Ex GST)	4.08%	(3.91% IRR)		122,826
Equity Amount :		635,323		(8.52% IRR on Equity)
Margin on Equity :		122,826		(19.33% MoE)
Less Development Costs :				
	Land Purchase Price		500,000	
	Stamp Duty Fees		17,990	
	Conveyancing Fees (Purchase)		1,375	
	Consultants Fees		0	
	Construction			
	Unescalated	2,550,000		
	Escalation	0	2,550,000	
	Rates and Taxes		0	
	Less: GST Input Tax Credits		-231,943	
	Sub-Total		2,837,422	
	Borrowing Interest		169,525	
Total Net Development Costs				3,006,947
GST Collected in Income				272,727
GST Input Tax Credits				241,693

## Categorised Profit & Loss (Valuer's Style) - Margin Scheme

Amounts are in \$'s

Income:	Development Sales		4,900,000	
	Less: GST Collected in Income		-381,818	4,518,182
Less :	Selling Fees		134,750	
	Conveyancing Fees (Sale)		15,400	
	Less: GST Input Tax Credits		-13,650	136,500
Gross Profit (Ex GST)				4,381,682
Profit & Risk Factor (Ex GST)	8.26%	(14.45% IRR)		334,183
Equity Amount :		893,703		(19.00% IRR on Equity)
Margin on Equity :		334,183		(37.39% MoE)
Less Development Costs :				
	Land Purchase Price		700,000	
	Stamp Duty Fees		26,990	
	Conveyancing Fees (Purchase)		1,375	
	Consultants Fees		0	
	Construction			
	Unescalated	3,590,000		
	Escalation	0	3,590,000	
	Rates and Taxes		0	
	Less: GST Input Tax Credits		-326,489	
	Sub-Total		3,991,876	
	Borrowing Interest		55,622	
Total Net Development Costs				4,047,499
GST Collected in Income				381,818
GST Input Tax Credits				340,139

## Categorised Profit & Loss (Valuer's Style) - Margin Scheme

Amounts are in \$'s

Income:	Development Sales		4,900,000	
	Less: GST Collected in Income		-381,818	4,518,182
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Less :	Selling Fees		134,750	
	Conveyancing Fees (Sale)		15,400	
	Less: GST Input Tax Credits		-13,650	136,500
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Gross Profit (Ex GST)				4,381,682
Profit & Risk Factor (Ex GST)	13.56%	(22.73% IRR)		523,360
Equity Amount :		853,703		(28.75% IRR on Equity)
Margin on Equity :		523,360		(61.30% MoE)
Less Development Costs :				
	Land Purchase Price		700,000	
	Stamp Duty Fees		26,990	
	Conveyancing Fees (Purchase)		1,375	
	Consultants Fees		0	
	Construction			
	Unescalated	3,390,000		
	Escalation	0	3,390,000	
	Rates and Taxes		0	
	Less: GST Input Tax Credits		-308,307	
	Sub-Total		3,810,058	
	Borrowing Interest		48,264	
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Total Net Development Costs				3,858,322
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GST Collected in Income				381,818
GST Input Tax Credits				321,957
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